

# KENTUCKY ECONOMIC INDICATORS

April Indicators as of June 22, 2004

## **KY Composite Index of Leading Indicators decreased 2.0 percent for April.**

- The Leading Index decreased for the first time since October 2003.
- The Leading Index rose by 2.7 percent over the same month last year.
- Two component indicators were positive. Three were negative.
  - + KY Labor Intensity Index increased 0.8 percent.
  - + The US Leading Index increased 1.0 percent.
  - The Index of KY Initial Claims decreased 1.0 percent.
  - US Retail Sales decreased 6.5 percent.
  - The Louisville Help Wanted Index decreased by 5 points to 51.

*The component weights for April are 49.59, 23.52, 14.75, 10.44, and 1.70, respectively.*

## **KY Composite Index of Coincident Indicators increased 4.3 percent for April.**

- The Coincident Index has increased for twelve consecutive months.
- Same-month-last-year growth was positive for the ninth consecutive month at 2.6 percent.
- Component indicators were mixed gainers over losers 2:1.
  - KY Total Nonagricultural Employment decreased 0.7 percent.
  - + US Industrial Production Index increased 10.2 percent.
  - + *US Personal Income Less Transfers increased 5.9 percent.*

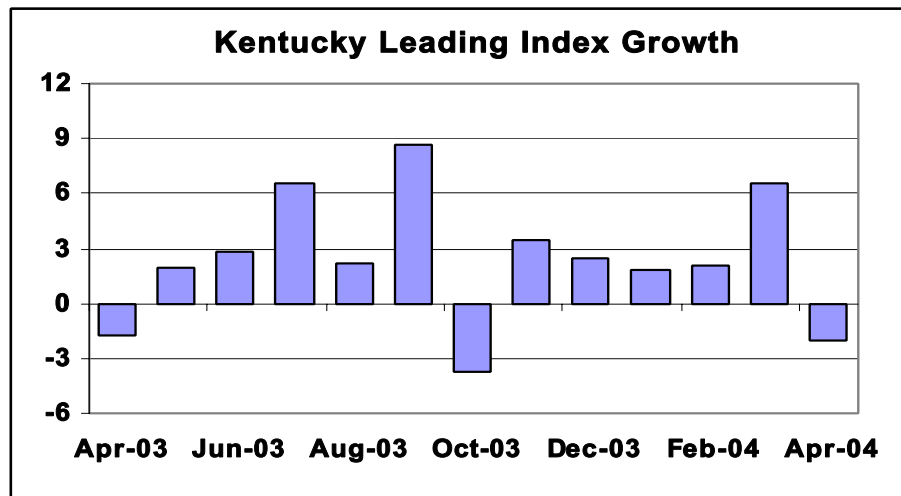
*The component weights for April are 31.53, 29.39, and 28.57, respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.*

The Kentucky Leading Index declined in April for only the second time in the last 12 months. The primary causes for the decline were the Louisville Help Wanted Index and US Retail Sales. The Louisville Help Wanted Index is a useful measure of regional conditions as employers pulled their advertisements for new positions in April. Both Nonagricultural Employment and Manufacturing Employment in Kentucky continued their three-month decline.

US Retail Sales also declined substantially in April by 6.5 percent. This is the second decline in the last twelve months, which is particularly rare for US Retail Sales. Heavy declines in Motor Vehicle sales were responsible for the majority of the decline in US Retail Sales, while building materials and garden equipment, health services and clothing & accessories made up the remainder of the losses. Higher than usual growth in February and March were also responsible for boosting the base of these changes.

The Kentucky Index of Initial Claims is composed of two variables, Kentucky First Payments, which is a count of individuals in their first week of payments for a claim, and US Initial Claims. US Initial Claims were up sharply in April, while Kentucky First Payments were down sharply. Historically, the combined variable, Kentucky Index of Initial Claims, does a better job of predicting future economic activity in Kentucky. However, this month the US component is offsetting some of the good news for Kentucky in the labor market, and hence bringing the Leading Index down somewhat. In a similar vein, the Kentucky Unemployment Rate declined by a tenth of a point for April.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the *University of Kentucky Center for Business and Economic Research Kentucky Annual Economic Report, 2000*.



### *About the Indicators*

#### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

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#### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.state.ky.us](http://www.osbd.state.ky.us).

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

**2003**

**2004**

|                                     | APR     | MAY     | JUN     | JUL     | AUG     | SEP      | OCT     | NOV     | DEC     | JAN     | FEB     | MAR     | APR     |
|-------------------------------------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|---------|---------|---------|
| KY Leading Index (1992=100)         | 109.8   | 110.0   | 110.2   | 110.8   | 111.0   | 111.8    | 111.4   | 111.7   | 112.0   | 112.1   | 112.3   | 112.9   | 112.7   |
| % Chg Previous Month SAAR           | -1.8    | 1.9     | 2.8     | 6.5     | 2.2     | 8.7      | -3.8    | 3.4     | 2.5     | 1.8     | 2.1     | 6.5     | -2.0    |
| % Chg Same Month Last Year          | -0.6    | -0.6    | -0.7    | -0.1    | 0.3     | 1.4      | 1.0     | 1.1     | 1.5     | 1.5     | 1.8     | 2.7     | 2.7     |
| KY Coincident Index (1992=100)      | 127.5   | 127.7   | 127.7   | 128.0   | 128.1   | 128.5    | 128.8   | 129.5   | 129.6   | 130.1   | 130.4   | 130.5   | 130.9   |
| % Chg Previous Month SAAR           | -1.5    | 1.4     | 0.0     | 2.6     | 1.5     | 3.2      | 3.4     | 6.5     | 1.1     | 4.3     | 2.9     | 0.7     | 4.3     |
| % Chg Same Month Last Year          | -0.2    | -0.2    | -0.5    | -0.2    | 0.0     | 0.4      | 0.7     | 1.1     | 1.5     | 1.7     | 1.9     | 2.2     | 2.6     |
| KY Nonag Employment (000s)          | 1,780.8 | 1,780.7 | 1,780.2 | 1,775.3 | 1,779.6 | 1,782.7  | 1,785.2 | 1,786.4 | 1,785.7 | 1,793.4 | 1,788.2 | 1,788.1 | 1,787.0 |
| % Chg Previous Month SAAR           | -1.1    | -0.1    | -0.3    | -3.3    | 2.9     | 2.1      | 1.7     | 0.8     | -0.5    | 5.3     | -3.4    | -0.1    | -0.7    |
| % Chg Same Month Last Year          | -0.3    | -0.3    | -0.4    | -0.9    | -0.4    | -0.2     | -0.2    | -0.2    | -0.2    | 0.4     | 0.4     | 0.3     | 0.3     |
| KY Mfg Employment (000s)            | 265.9   | 265.6   | 265.2   | 264.9   | 265.2   | 265.1    | 266.2   | 265.8   | 266.1   | 266.9   | 265.8   | 265.8   | 264.2   |
| % Chg Previous Month SAAR           | -6.5    | -1.3    | -1.8    | -1.3    | 1.4     | -0.5     | 5.1     | -1.8    | 1.4     | 3.7     | -4.8    | 0.0     | -7.0    |
| % Chg Same Month Last Year          | -4.3    | -4.0    | -3.9    | -3.5    | -3.0    | -2.3     | -2.3    | -2.0    | -1.5    | -1.0    | -1.2    | -0.6    | -0.6    |
| KY Unemployment Rate (%)            | 6.3     | 6.2     | 6.3     | 6.6     | 6.2     | 6.2      | 6.0     | 6.0     | 6.0     | 5.3     | 5.3     | 5.5     | 5.4     |
| KY Index of Initial UI Claims       | 98.8    | 99.3    | 99.3    | 99.8    | 100.2   | 100.1    | 101.2   | 101.2   | 101.3   | 101.7   | 101.4   | 102.4   | 102.3   |
| % Chg Previous Month SAAR           | -1.9    | 6.3     | 0.7     | 6.2     | 5.3     | -1.4     | 13.7    | -0.1    | 1.2     | 5.2     | -3.9    | 12.5    | -1.0    |
| % Chg Same Month Last Year          | -0.4    | -0.6    | -1.1    | -1.0    | -0.2    | 0.7      | 1.6     | 0.8     | 2.6     | 1.8     | 1.7     | 3.5     | 3.6     |
| KY Labor Intensity Index (1992=100) | 104.0   | 104.0   | 103.9   | 104.2   | 104.3   | 104.4    | 104.4   | 104.7   | 104.4   | 104.8   | 104.7   | 104.7   | 104.8   |
| % Chg Previous Month SAAR           | 1.5     | -1.0    | -0.7    | 3.9     | 0.7     | 1.1      | -0.1    | 3.6     | -3.2    | 4.6     | -0.8    | -0.3    | 0.8     |
| % Chg Same Month Last Year          | -1.1    | -1.1    | -1.2    | -0.9    | -0.8    | -0.7     | -0.7    | -0.1    | -0.6    | 0.1     | 0.2     | 0.8     | 0.7     |
| Louisville HWI (1992=100)           | 50.0    | 47.0    | 49.0    | 50.0    | 47.0    | 73.0     | 50.0    | 49.0    | 57.0    | 50.0    | 55.0    | 56.0    | 51.0    |
| % Chg Previous Month SAAR           | -83.2   | -52.4   | 64.9    | 27.4    | -52.4   | 19,610.6 | -98.9   | -21.5   | 514.0   | -79.2   | 213.8   | 24.1    | -67.4   |
| % Chg Same Month Last Year          | -18.0   | -28.8   | -31.0   | -21.9   | -21.7   | 25.9     | -13.8   | -14.0   | 7.5     | -9.1    | -8.3    | -3.4    | 2.0     |
| GF Total Tax Receipts (\$mil)       | 696.4   | 416.4   | 617.6   | 470.9   | 459.6   | 628.9    | 530.4   | 531.1   | 676.1   | 583.1   | 462.6   | 509.3   | 721.1   |
| % Chg Same Month Last Year          | -0.5    | -3.1    | 1.6     | 8.2     | -5.9    | -4.1     | -7.1    | 0.7     | 5.3     | -8.2    | 10.2    | 16.3    | 3.5     |
| GF Sales & Use Receipts (\$mil)     | 199.7   | 190.2   | 191.6   | 208.2   | 197.3   | 200.4    | 213.3   | 199.0   | 207.9   | 249.5   | 164.0   | 185.0   | 217.5   |
| % Chg Same Month Last Year          | 0.1     | 0.3     | 0.1     | 3.2     | -14.7   | -0.4     | -1.9    | 5.3     | 8.0     | 6.9     | 8.9     | 11.7    | 8.9     |
| GF Income Tax Receipts (\$mil)      | 354.4   | 158.2   | 267.9   | 206.6   | 224.2   | 273.0    | 228.1   | 224.0   | 247.6   | 207.2   | 217.3   | 142.0   | 366.6   |
| % Chg Same Month Last Year          | -5.8    | 1.8     | -1.5    | 10.1    | 10.0    | -2.2     | -4.0    | 3.2     | 8.6     | -28.8   | 6.1     | 21.4    | 3.4     |

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2003

2004

|   | APR     | MAY     | JUN     | JUL     | AUG     | SEP     | OCT     | NOV     | DEC     | JAN     | FEB     | MAR     | APR     |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| US Leading Index (1982=100)             | 110.5   | 111.6   | 112.0   | 112.8   | 113.2   | 113.3   | 113.9   | 114.2   | 114.5   | 114.9   | 114.9   | 115.8   | 115.9   |
| % Chg Previous Month SAAR               | 1.1     | 12.6    | 4.4     | 8.9     | 4.3     | 1.1     | 6.5     | 3.2     | 3.2     | 4.3     | 0.0     | 9.8     | 1.0     |
| % Chg Same Month Last Year              | -0.3    | 0.2     | 0.8     | 1.6     | 2.2     | 2.7     | 3.3     | 2.9     | 3.1     | 3.5     | 3.9     | 4.9     | 4.9     |
| US Coincident Index (1992=100)          | 114.1   | 114.3   | 114.4   | 114.7   | 114.7   | 114.9   | 115.2   | 115.6   | 115.8   | 116.0   | 116.3   | 116.8   | 117.2   |
| % Chg Previous Month SAAR               | -1.0    | 2.1     | 1.1     | 3.2     | 0.0     | 2.1     | 3.2     | 4.2     | 2.1     | 2.1     | 3.1     | 5.3     | 4.2     |
| % Chg Same Month Last Year              | -0.1    | 0.0     | -0.1    | 0.3     | 0.3     | 0.5     | 0.8     | 1.0     | 1.4     | 1.4     | 1.8     | 2.3     | 2.7     |
| US Nonag Employment (mil)               | 129.9   | 129.9   | 129.9   | 129.8   | 129.8   | 129.9   | 129.9   | 130.0   | 130.0   | 130.2   | 130.3   | 130.6   | 131.0   |
| % Chg Previous Month SAAR               | -0.2    | -0.3    | -0.1    | -0.4    | -0.2    | 0.6     | 0.8     | 0.8     | 0.1     | 1.5     | 0.8     | 3.3     | 3.2     |
| % Chg Same Month Last Year              | -0.4    | -0.4    | -0.4    | -0.4    | -0.4    | -0.3    | -0.3    | -0.2    | 0.0     | 0.0     | 0.2     | 0.5     | 0.8     |
| US Unemployment Rate (%)                | 6.0     | 6.1     | 6.3     | 6.2     | 6.1     | 6.1     | 6.0     | 5.9     | 5.7     | 5.6     | 5.6     | 5.7     | 5.6     |
| US Initial Claims for UI (000s)         | 434.9   | 423.7   | 418.9   | 399.5   | 400.4   | 399.5   | 382.2   | 368.7   | 362.5   | 355.3   | 355.5   | 340.4   | 343.6   |
| % Chg Previous Month SAAR               | 51.1    | -26.9   | -12.8   | -43.4   | 2.7     | -2.7    | -41.2   | -35.0   | -18.4   | -21.4   | 0.7     | -40.6   | 11.9    |
| % Chg Same Month Last Year              | 2.3     | 5.3     | 8.2     | 3.9     | 1.2     | -3.5    | -7.3    | -6.4    | -13.1   | -10.1   | -13.4   | -19.0   | -21.0   |
| US Industrial Production Index          | 110.1   | 110.0   | 110.0   | 110.8   | 110.9   | 111.5   | 111.8   | 112.9   | 113.1   | 113.8   | 114.8   | 114.8   | 115.7   |
| % Chg Previous Month SAAR               | -7.1    | -0.8    | -0.4    | 9.6     | 0.3     | 7.1     | 3.1     | 12.3    | 2.9     | 7.3     | 10.7    | 0.0     | 10.2    |
| % Chg Same Month Last Year              | -0.6    | -0.8    | -1.5    | -0.6    | -0.6    | 0.1     | 0.7     | 1.5     | 2.3     | 2.4     | 2.8     | 3.6     | 5.1     |
| US Personal Inc. Less Trans. (bil 92\$) | 7,375.4 | 7,412.0 | 7,416.6 | 7,435.8 | 7,446.3 | 7,457.1 | 7,499.9 | 7,557.2 | 7,565.3 | 7,576.5 | 7,599.0 | 7,614.6 | 7,650.8 |
| % Chg Previous Month SAAR               | 3.4     | 6.1     | 0.7     | 3.2     | 1.7     | 1.8     | 7.1     | 9.6     | 1.3     | 1.8     | 3.6     | 2.5     | 5.9     |
| % Chg Same Month Last Year              | 0.2     | 0.4     | 0.2     | 0.8     | 1.1     | 1.4     | 1.8     | 2.6     | 3.0     | 3.1     | 3.4     | 3.5     | 3.7     |
| CPI, All Urban (1982-84=100)            | 183.4   | 183.3   | 183.5   | 183.8   | 184.5   | 185.1   | 184.9   | 184.6   | 184.9   | 185.8   | 186.3   | 187.2   | 187.6   |
| % Chg Previous Month SAAR               | -3.8    | -0.7    | 1.3     | 2.0     | 4.7     | 4.0     | -1.3    | -1.9    | 2.0     | 6.0     | 3.3     | 6.0     | 2.6     |
| % Chg Same Month Last Year              | 2.2     | 2.1     | 2.1     | 2.1     | 2.2     | 2.3     | 2.0     | 1.8     | 1.8     | 2.0     | 1.7     | 1.7     | 2.3     |
| US Retail Sales (bil 84\$)              | 308.1   | 308.4   | 311.5   | 315.4   | 318.9   | 317.5   | 318.1   | 321.8   | 322.3   | 323.9   | 327.0   | 333.8   | 331.9   |
| % Chg Previous Month SAAR               | 3.5     | 1.0     | 12.9    | 15.8    | 14.5    | -5.4    | 2.3     | 15.0    | 2.0     | 6.0     | 12.0    | 28.1    | -6.5    |
| % Chg Same Month Last Year              | 3.6     | 5.0     | 5.0     | 5.3     | 6.1     | 7.0     | 6.6     | 7.3     | 6.4     | 6.3     | 8.5     | 8.6     | 7.7     |
| Manufacturing & Trade Sales (000s)      | 850.2   | 857.4   | 867.0   | 879.6   | 874.5   | 882.3   | 886.0   | 891.2   | 898.3   | 896.5   | 901.4   | 921.4   | *919.2  |
| % Chg Previous Month SAAR               | -3.6    | 10.6    | 14.3    | 18.9    | -6.7    | 11.3    | 5.1     | 7.3     | 10.0    | -2.4    | 6.8     | 30.2    | -2.9    |
| % Chg Same Month Last Year              | 0.4     | 1.4     | 2.3     | 3.0     | 2.3     | 4.2     | 4.2     | 4.3     | 5.4     | 4.3     | 7.0     | 8.1     | 8.1     |
| US Consumer Expectations (1966=100)     | 79.3    | 91.4    | 86.4    | 83.7    | 82.5    | 80.8    | 83.0    | 88.1    | 89.8    | 100.1   | 88.5    | 88.8    | 87.3    |
| % Chg Previous Month AR                 | 378.6   | 449.6   | -49.1   | -31.7   | -15.9   | -22.1   | 38.0    | 104.5   | 25.8    | 268.0   | -77.2   | 4.1     | -18.5   |
| % Chg Same Month Last Year              | -11.0   | -1.4    | -1.7    | 3.3     | 2.4     | 1.1     | 13.5    | 12.2    | 11.1    | 37.5    | 26.6    | 27.6    | 10.1    |
| Ave. Prime Interest Rate (% NSA)        | 4.25    | 4.25    | 4.22    | 4.00    | 4.00    | 4.00    | 4.00    | 4.00    | 4.00    | 4.00    | 4.00    | 4.00    | 4.00    |

\* ARIMA estimation